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Compilation and review alert - 2006/07; Audit risk alerts

American Institute of Certified Public Accountants. Auditing Standards Division

COMPILATION AND REVIEW ALERT

Compilation and Review Alert — 2006/07

Current Accounting, Reporting, and Practice Issues

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Notice to Readers

This *Compilation and Review Alert—2006/07* is intended to provide CPAs with an update on recent practice issues and professional standards that affect compilation and review engagements. The document has not been approved, disapproved, or otherwise acted upon by any senior technical committee of the AICPA.

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Compilation and Review Alert—2006/07

How This Alert Will Help You

The *Compilation and Review Alert—2006/07* is a crucial tool, designed to help you as you plan and perform your 2006 and 2007 compilation and review engagements. The Alert discusses recent Standards for Accounting and Review Services (SSARS) developments, addresses emerging practice issues, points out pitfalls that frequently occur in compilation and review engagements, and provides valuable current accounting developments.

References to Professional Standards. When referring to the professional standards, this Alert cites the applicable sections of the codification and not the numbered statements, as appropriate. For example, SSARS No. 1 is referred to as AR section 100 of the AICPA *Professional Standards.*

The U.S. Business Environment

In planning your compilation and review engagements, you need to understand the economic conditions facing your client's industry. Economic activities relating to such factors as interest rates, consumer confidence, overall economic expansion or contraction, inflation, and the labor market are likely to have an impact on your client.

The bad news is the U.S. economy has slowed more dramatically than most economists expected, leaving it more vulnerable to a recession. The economy has shifted into a slower gear because of several factors, including the cooler housing market, the toll of once-surging energy prices, and the impact of the Federal Reserve's two-year string of interest rate increases. In fact, growth is getting closer to what some economists describe as the "stall speed," at which an unexpected shock such as a terrorist strike or a hurricane might be enough to trigger a recession. A mathematical model of the economy developed by Federal Reserve economist Jonathan Wright puts the chances of a recession over the next year at about 40 percent.

And with recession risks rising, some Federal Reserve officials are becoming uneasy about the outlook. Although they remain on guard against the dangers of higher inflation, they say they're also paying more attention to the threats to growth. But most economists and Federal Reserve officials still expect the economy to avoid recession, helped by increased exports and business spending. Except for housing, the rest of the economy is healthy and robust.

Unfortunately, one of the biggest wild cards is the magnitude of the housing slowdown. New-home sales in August were 17 percent below a year earlier and the median selling price was down 1.3 percent, the first year-over-year drop since 2003. Existing home sales were the lowest since early 2004, and prices fell for the first time in 11 years. Housing-related industries, including builders, mortgage brokers, and furniture makers, have shed some 40,000 jobs since March, according to Moody's Economy.Com, Inc., in West Chester, Pennsylvania. In the 1990-1991 housing slump, housing-related industries shed 825,000 jobs, or about 35,000 a month.

Consumer spending will also take a hit as falling house prices discourage homeowners from borrowing against equity gains. Home equity withdrawal fell to an annual rate of $497 billion in the second quarter, from $649 billion in the first quarter and $817 billion in the final quarter of 2005, according to calculations supplied by the Federal Reserve. A fall in home prices across the nation would pose a significant threat to consumer spending. And the one-two punch of a slowing housing market and the large announced auto-production cuts by GM, Ford, and Chrysler is really going to slow the economy, according to some economists.

Small Business Confidence

Private companies are a significant element of the U.S. economy. In fact, according to the National Federation of Independent Businesses (NFIB), four of five employing businesses have fewer than

20 people working in them, and only 17,000 of the nation's 4.9 million corporations are registered with the Securities and Exchange Commission (SEC). And, according to the White House, small and young companies create two-thirds of the net new jobs in our economy, and they employ half of all private-sector workers.

In August, Discover Business Card released the results of the inaugural *Discover Small Business Watch*, a new monthly index of economic confidence of the nation's 22 million small businesses with five or fewer employees. The *Discover Small Business Watch* is based upon survey data compiled by Rasmussen Reports, a leading independent public opinion polling company.

Among the key findings, the survey found that small business owners are more optimistic about the current state of the economy when compared to the general population, with 39 percent of small business owners rating the economy as "excellent" or "good," versus the 34 percent of the general population. However, nearly 60 percent of small business owners surveyed believed that economic conditions in the country are getting worse.

In addition, an inaugural survey of more than 600 private business owners in the United States whose companies employ at least 50 people showed decidedly mixed views on the current and future state of the U.S. economy. Compiled by Rasmussen Reports, the *Matrix Founders Index* is a quarterly barometer of attitudes and opinions from those who have founded or acquired their own businesses. In the premier survey, entrepreneurs fairly evenly rated the U.S. economy as excellent (27 percent), good (26 percent), fair (24 percent), and poor (23 percent). They also were split about how well they expect the economy to perform in the near term: 43 percent thought the economy was getting better with 47 percent holding a contrary view. However, 29 percent felt that the United States was currently in a recession.

Overall, the economic outlook is uncertain, which means you should pay close attention to how economic factors such as interest rates, consumer confidence, overall economic expansion or contraction, inflation, and the labor market will affect your clients and your compilation and review engagements this year.

Current SSARS Developments

There have been no SSARSs issued since the publication of last year's Alert; however, the Accounting and Review Services Committee (ARSC) is currently working on several projects which will be completed in the near future. They are summarized as follows.

Future SSARS Exposure Draft, *Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services*

In many instances, SSARSs refer the practitioner to Statements on Auditing Standards (SASs). However, for many practitioners, compilations and reviews represent the highest level of service performed and, therefore, those practitioners may be unfamiliar with the auditing literature. The ARSC determined that it would be in the best interest of practitioners performing compilations and reviews as well as in the public interest if certain references to the auditing literature were eliminated from the SSARSs. To accomplish this, the ARSC is currently developing an exposure draft of a proposed SSARS that will eliminate those references to auditing literature from SSARSs and, if deemed appropriate, guidance similar to that originally referenced will be incorporated into the SSARSs.

Although the ARSC is still considering amendments to be included in the proposed standard, it is expected that it will amend AR section 100, *Compilation and Review of Financial Statements*; AR section 200, *Reporting on Comparative Financial Statements*; AR section 300, *Compilation Reports on Financial Statements Included in Certain Prescribed Forms*; and AR section 400, *Communications Between Predecessor and Successor Accountants* (AICPA, *Professional Standards*, vol. 2). In addition, all affected Interpretations will be conformed or withdrawn. Those affected Interpretations are:

- Interpretation No. 11, "Reporting on Uncertainties," in AR section 9100, *Compilation and Review of Financial Statements: Accounting and Review Services Interpretations* *of Section 100* (AICPA, *Professional Standards*, vol. 2), by deleting the reference to AU section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*, vol. 2), and instead referring to the revised AR section 100 guidance

- Interpretation No. 15, "Differentiating a Financial Statement Presentation From a Trial Balance," in AR section 9100, by deleting the "typical titles" for financial statements and instead referencing the examples of financial statement titles included in AR section 100.04 as revised by the proposed Statement
- Interpretation No. 4, "Discovery of Information After the Date of the Accountant's Report," in AR section 9100, which is expected to be withdrawn

The exposure draft is expected to be issued in the December 2006/January 2007 time frame. A final Statement, if approved, would be effective for compilations and reviews of financial statements for periods ending on or after December 15, 2007. Early application would be permitted.

Future SSARS Exposure Draft, *Omnibus Statement on Standards for Accounting and Review Services—2007*

The ARSC is currently developing a draft Omnibus Statement on Standards for Accounting and Review Services. Although the ARSC is still considering amendments to be included in the proposed standard, it is expected that it will:

- Revise AR sections 100, 200, and 300 to conform to the terminology utilized by other standard setters, including the Auditing Standards Board (ASB) by replacing the term *nonpublic entity* with the term *nonissuer*.
- Clarify the objective of a compilation engagement and expand the definition in AR 100.
- Revise AR section 100 to incorporate the guidance in Interpretation No. 12, "Reporting on a Comprehensive Basis of Accounting Other Than Generally Accepted Account-

ing Principles" in AR section 9100 (AICPA, *Professional Standards*, vol. 2), with respect to evaluating the adequacy of disclosure in financial statements prepared in conformity with an other comprehensive basis of accounting (OCBOA) and expand on such guidance.

- Revise AR section 100 to provide guidance with respect to the accountant's consideration of subsequent events in a compilation or review engagement.

The ARSC plans to expose the proposed standard in the December 2006/January 2007 time frame.

ARSC's Consideration of Independence in a Compilation Engagement

As a result of the evolving complexity of the Independence Standards as codified in the *AICPA Code of Professional Conduct*, the ARSC issued a Discussion Memorandum/Survey in October 2005 to obtain the input of CPAs, their clients, and third-party users of compiled financial statements as to the need for independence when performing compilation engagements. The purpose of the Discussion Memorandum/Survey was to elicit comments before the ARSC further considered the independence requirements related to compilation engagements. During the seven months that the Discussion Memorandum/Survey was available, the ARSC received over 4,300 responses.

Eighty-two percent of those who responded to the survey were CPAs in public practice; 11 percent were CPAs in industry; 1 percent of the respondents indicated that they were third-party users of compiled financial statements; and 5 percent responded "other." The majority of those who responded "other" were, upon review, identified to be third-party users of compiled financial statements. Of those who responded that they were CPAs in public practice, 84 percent were from firms with ten or fewer partners.

The ARSC identified the most significant issues as follows:

1. Whether the ARSC should amend AR section 100 to state that independence is not required in a compilation engagement.

2. Whether the ARSC should amend AR section 100 to allow the accountant to disclose, in the compilation report, the reasons for the independence impairment.

Accordingly, the ARSC scheduled a public hearing in May 2006 to discuss these issues and the results of the following survey questions.

Question: *Should the ARSC amend SSARS No. 1 to state that independence is not required in a compilation engagement and accordingly delete the requirement that the accountant disclose when he or she is not independent?*

The survey provided the following responses to this question:

Yes	41.8 percent
No	50.1 percent
Undecided / Need More Information	6.9 percent
Not affected by this issue	1.2 percent

In addition, the ARSC noted that 48 percent of CPAs in public practice; 57 percent of CPAs in industry; 77 percent of third-party users; and 66 percent of "other" respondents answered no to the above question.

During the public meeting to discuss the results of the survey, the ARSC considered the above responses. In addition, the ARSC considered the potential for third-party users to be misled as to the accountant's independence if the report was silent as to an independence impairment. The ARSC concluded that since, other than the titles, review and audit reports are silent as to independence since accountants/auditors must be independent to perform those engagements, that a very real possibility exists that third-party users would assume that accountants were independent if the compilation report was silent. The ARSC concluded that it would be inappropriate to revise AR section 100 to state that independence is not required in a compilation engagement and, accordingly, delete the requirement that the accountant disclose when he or she is not independent. The ARSC also discussed the results of the following survey question:

Question: If the existing independence requirements with respect to compilation engagements are retained, should the ARSC consider amending SSARS No. 1 to allow the accountant to describe the reason(s) for a lack of independence in the accountant's compilation report?

The survey provided the following responses to this question.

Yes	57.9 percent
No	32.5 percent
Not Sure / Don't Know	9.6 percent

In addition, the ARSC noted that 56 percent of CPAs in public practice; 67 percent of CPAs in industry; 88 percent of third-party users; and 63 percent of "other" respondents answered yes to the above question.

During the public meeting to discuss the results of the survey, the ARSC considered the above responses. The ARSC was especially moved by the response of the third-party users and the "other" respondents. The ARSC determined that more information was needed as to what those users of compiled financial statements would want to see in compilation results. Therefore, the ARSC has reached out to the American Bankers Association in order to facilitate a meeting. That meeting, which is tentatively scheduled for September 2007, will serve as the basis for a broader project on the accountant's compilation report.

Current Practice Issues

Conceptual Framework for AICPA Independence Standards

The Professional Ethics Executive Committee (PEEC) has adopted a "Conceptual Framework for AICPA Independence Standards" (Conceptual Framework) (AICPA, *Professional Standards*, vol. 2, ET sec. 100.01), and a related revision to "Other Considerations" of Interpretation No. 101-1, "Interpretation of Rule 101" (AICPA, *Professional Standards*, vol. 2, ET sec. 101.02) under Rule 101, *Independence*, of the Code of Professional Conduct (the Code). The provisions of the Conceptual Framework for AICPA Independence Standards and the related revision to

"Other Considerations" of Interpretation No. 101-1 are effective for all independence decisions made after April 30, 2007. Earlier application is encouraged.

Revision to Interpretation No. 101-1

The PEEC recognizes that it is impossible to enumerate all circumstances in which the appearance of independence might be questioned. Therefore, in the absence of an independence interpretation or ruling under Rule 101 that addresses a particular circumstance, a member should evaluate whether that circumstance would lead a reasonable person aware of all the relevant facts to conclude that there is an unacceptable threat to the member's and the firm's independence. When making that evaluation, members should refer to the risk-based approach described in the Conceptual Framework for AICPA Independence Standards. If the threats to independence are not at an acceptable level, safeguards should be applied to eliminate the threats or reduce them to an acceptable level. In cases in which threats to independence are not at an acceptable level, thereby requiring the application of safeguards, the threats identified and the safeguards applied to eliminate the threats or reduce them to an acceptable level should be documented.

Conceptual Framework

The Conceptual Framework describes the risk-based approach to analyzing independence matters that is used by the PEEC when it develops independence standards. Under that approach, a member's relationship with a client is evaluated to determine whether it poses an unacceptable risk to the member's independence. Risk is unacceptable if the relationship would compromise (or would be perceived as compromising by an informed third party having knowledge of all relevant information) the member's professional judgment when rendering an attest service to the client. Key to that evaluation is identifying and assessing the extent to which a threat to the member's independence exists and, if it does, whether it would be reasonable to expect that the threat would compromise the member's professional judgment and, if so, whether it can be effectively mitigated or eliminated. Under the risk-based approach, steps are taken to prevent circumstances that threaten independence from compromising the professional judgments required in the performance of an attest engagement.

Professional standards of the AICPA require independence for all attest engagements. The PEEC bases its independence interpretations and rulings under ET section 100 of the AICPA's Code on the concepts in this framework. However, in certain circumstances, the PEEC has determined that it is appropriate to prohibit or restrict certain relationships notwithstanding the fact that the risk may be at an acceptable level. For example, the PEEC has determined that a covered member should not own even an immaterial direct financial interest in an attest client.

Because the Conceptual Framework describes the concepts upon which the AICPA's independence interpretations and rulings are based, it may assist AICPA members and others in understanding those interpretations and rulings. In addition, the Conceptual Framework should be used by members when making decisions on independence matters that are not explicitly addressed by the Code. Under no circumstances, however, may the framework be used to overcome prohibitions or requirements contained in the independence interpretations and rulings.

The risk-based approach entails evaluating the risk that the member would not be independent or would be perceived by a reasonable and informed third party having knowledge of all relevant information as not being independent. That risk must be reduced to an acceptable level to conclude that a member is independent under the concepts in this framework. Risk is at an acceptable level when threats are at an acceptable level, either because of the types of threats and their potential effect, or because safeguards have sufficiently mitigated or eliminated the threats. Threats are at an acceptable level when it is not reasonable to expect that the threat would compromise professional judgment.

The risk-based approach involves the following steps:

a. *Identifying and evaluating threats to independence*—Identify and evaluate threats, both individually and in the aggregate, because threats can have a cumulative effect on a member's independence. If threats are identified but, due to the types of threats and their potential effects, such threats are considered to be at an acceptable level (that is, it is not reasonable to expect that the threats would compromise professional judgment), the consideration of safeguards is not required. If identified threats are not considered to be at an acceptable level, safeguards should be considered as described in the Conceptual Framework.

b. *Determining whether safeguards already eliminate or sufficiently mitigate identified threats and whether threats that have not yet been mitigated can be eliminated or sufficiently mitigated by safeguards*—Different safeguards can mitigate or eliminate different types of threats, and one safeguard can mitigate or eliminate several types of threats simultaneously. When threats are sufficiently mitigated by safeguards, the threats' potential to compromise professional judgment is reduced to an acceptable level. A threat has been sufficiently mitigated by safeguards if, after application of the safeguards, it is not reasonable to expect that the threat would compromise professional judgment.

If no safeguards are available to eliminate an unacceptable threat or reduce it to an acceptable level, independence would be considered impaired.

Help Desk—The Conceptual Framework can be found at www.aicpa.org/about/code/et_100.html and the revised "Other Considerations" section in Interpretation No. 101-1 can be found at www.aicpa.org/about/code/et_ 101.html#et_101.02.

Preparing Financial Statements for Audit by Another Firm

In today's environment, primarily driven by independence concerns, a client may engage an accountant (or his or her firm) other than the independent auditor, as an advisory accountant to assist management in certain recurring accounting or reporting functions (for example, bookkeeping or assistance in preparing financial statements or notes, performing fair value impairment tests, or assistance in preparing regulatory filings). In this capacity, the advisory accountant may be frequently asked to provide advice on the application of accounting principles or to assist management in formulating its accounting positions prior to discussing such positions with its auditor.

In order to provide guidance to accountants who are engaged as advisory accountants and to help those accountants understand their obligation to consult with the auditor under AU section 625, *Reports on the Application of Accounting Principles*, as amended (AICPA, *Professional Standards*, vol. 1), the ASB issued an interpretation in January 2005.

According to paragraph .08 of Interpretation No. 1, "Requirement to Consult With the Continuing Accountant," in AU section 9625 (AICPA, *Professional Standards*, vol. 1), an important distinction to consider in overcoming the presumptive requirement to consult with the auditor is the nature of the engagement and whether the services are recurring as contrasted to periodic. A recurring engagement may constitute the effective outsourcing of certain controllership or other financial reporting functions that would typically not be indicative of opinion shopping and would typically allow the nonauditor accountant to have complete access to management. If you are engaged in the capacity of an advisory accountant, you nonetheless should be alert to any instances in which the client attempts to use you to "opinion shop." You should establish an understanding with the client that includes a statement that the responsibility for the proper accounting treatment rests with management, who should consult with their auditor, and that the client, along with you, will notify the auditor and members of any governance body (such as audit committee) of the arrangement.

You should document your conclusion that consultation with the auditor was not considered necessary under the circumstances. Additionally, you should comply with the other requirements of AU section 625, including AU section 625.08, which requires you to:

- Obtain an understanding of the form and substance of the transaction(s);
- Review applicable generally accepted accounting principles (GAAP);

- If appropriate, consult with other professionals or experts; and
- If appropriate, perform research or other procedures to ascertain and consider the existence of creditable precedents or analogies.

Another question that often arises in these circumstances is whether the advisory accountant must report on the financial statements that are prepared and submitted to be audited by another firm. According to Interpretation No. 21, "Applicability of SSARS No. 1 When Performing Controllership or Other Management Services" in AR section 9100 (AICPA, *Professional Standards*, vol. 2), if you are in the practice of public accounting and provide an entity (who is not an issuer) with services such as those above (including submitting financial statements), you must follow the performance and communication requirements of AR section 100, including any requirement to disclose a lack of independence. In other words, any financial statements you submit as a result of these services that will be used by a third party (as defined in AR section 100.04), even if they are only submitted to the auditor, should generally be accompanied by an appropriate compilation report.[1]

Proposed SQCS, *A Firm's System of Quality Control*

In September 2005, a task force was formed to review the Statements on Quality Control Standards (SQCS) and determine if and how they should be amended, in light of the changes in the quality control environment in the past two years, and with the goal of harmonization with International Statement of Quality Control Standard (ISQC) No. 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.* The task force is comprised of members from the ASB, the ARSC, the Peer Review Board and the Center for Public Companies Audit Firms Peer Review Committee.

1. Interpretation No. 21, "Applicability of SSARS No. 1 When Performing Controllership or Other Management Services," in AR section 9100 (AICPA, *Professional Standards*, vol. 2) provides an option to a report under AR section 100 when an accountant engaged to perform controllership or other management services is in the practice of public accounting and is also an owner or employee of the client.

At its June 2006 meeting, the ASB requested that the task force consider the need to revise existing standards (specifically AU section 161, *The Relationship of Generally Accepted Auditing Standards to Quality Control Standards,* [AICPA, *Professional Standards,* vol. 1]) to converge with International Standards on Auditing (ISA) 220, *Quality Control for Audits of Historical Financial Information.* The SQCSs and ISQC No. 1 apply at the firm level, while ISA 220 and AU section 161 apply to the engagement. The task force is also considering whether revisions to the attestation standards and SSARSs (AR section 100.70 - .72) are necessary, and if so, their nature and extent.

In July 2006, the ASB issued an exposure draft of a proposed SQCS, *A Firm's System of Quality Control.* The exposure draft introduces a proposed SQCS that will replace all existing SQCSs. This proposed SQCS establishes standards and provides guidance for a CPA firm's responsibilities for its system of quality control for its accounting and auditing practice. It describes elements of quality control and other matters essential to the effective design, implementation, and maintenance of the system. The proposed SQCS also sets forth the meaning of certain terms used in SQCSs issued by the ASB in describing the professional requirements imposed on firms and practitioners-in-charge.

The proposed SQCS deals comprehensively with a firm's quality control practices in the areas of audits, reviews and compilations, and other attestation engagements. It places an unconditional obligation on a firm to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements, and that the reports issued by the firm or engagement partners are appropriate in the circumstances.

The proposed SQCS defines the engagement quality control review and requires firms to establish criteria to determine which engagements are to be subject to an engagement quality control review. It also provides guidance on policies and procedures for performing engagement quality control reviews. An engagement quality control review should include a review of the financial statements or other subject matter information and the report, and, in particular, consideration of whether the report is appropriate. The proposed SQCS states that an engagement quality control review also should include any of the following:

1. A discussion with the practitioner-in-charge
2. A review of selected working papers relating to the significant judgments the engagement team made and the conclusions they reached, or
3. Both discussion and review

The decision to review selected working papers in addition to or instead of discussion with the practitioner-in-charge depends on the complexity of the engagement and the risk that the report might not be appropriate in the circumstances.

In addition, the proposed SQCS:

- Defines the terminology the ASB will use to describe the degrees of responsibility that the requirements in SQCSs impose on firms. There are two categories of requirements:
    1. *Unconditional requirements.* The firm is required to comply with an unconditional requirement in all cases in which the circumstances exist to which the unconditional requirement applies. SQCSs use the words *must* or *is required* to indicate an unconditional requirement.
    2. *Presumptively mandatory requirements.* The firm is also required to comply with a presumptively mandatory requirement in all cases in which the circumstances exist to which the presumptively mandatory requirement applies; however, in rare circumstances, the firm may depart from a presumptively mandatory requirement provided the firm documents its justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement. SQCSs use the word *should* to indicate a presumptively mandatory requirement.

- Requires a firm to document its quality control policies and procedures. The extent of the documentation is based on the size, structure, and nature of the firm's practice.
- Requires a firm's system of quality control to address each of the following elements:
  1. Leadership responsibilities for quality within the firm ("tone at the top");
  2. Independence, integrity, objectivity, and other legal and ethical requirements;
  3. Acceptance and continuance of client relationships and specific engagements;
  4. Human resources (formerly personnel management);
  5. Engagement performance and engagement documentation; and
  6. Monitoring
- Recognizes the importance of a quality-oriented internal culture, and requires firms to assign its management responsibilities so that commercial considerations do not override the objectives of the system of quality control, and to design its policies and procedures addressing personnel performance evaluation, compensation, and promotion to demonstrate the firm's overarching commitment to quality.
- Provides more detailed guidance on independence, and requires a written confirmation of compliance with independence requirements from all firm personnel at least annually.
- Provides more detailed guidance on client acceptance and continuance, and requires documentation of the resolution of significant issues.
- Provides more detailed guidance on engagement supervision and review, engagement documentation, and consultation policies and procedures.
- Requires policies and procedures for resolving differences of opinion, including a requirement that reports must not be issued until the differences of opinion are resolved.

- Requires annual monitoring procedures. Firms are required to assign responsibility for monitoring to a person of appropriate authority, and are required to evaluate deficiencies and communicate recommendations for remedial action.
- Requires policies and procedures for dealing appropriately with complaints and allegations of noncompliance with professional standards or with the firm's system of quality control.

The exposure draft can be obtained at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Exposure+Drafts+of+Proposed+Statements/A_Firms_System_of_Quality_Control.htm. The exposure period ended on September 30, 2006. Letters of comment received on the exposure draft can be viewed at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Exposure+Drafts+of+Proposed+Statements/A+Firm's+System+of+Quality+Control. A final standard is expected to be issued in the second quarter of 2007.

Business Risks Associated With Accounting and Review Services

As the underwriter of the AICPA Professional Liability Insurance Program, Continental Casualty Company (CNA) provides professional liability insurance to more than 24,000 CPA firms nationwide. According to CNA, a longstanding problem in defending accountants' malpractice claims has been client disputes regarding scope of services. Oftentimes, claimants allege that their CPA failed to advise them on a specific issue or failed to provide a service that they thought was being provided, and that they suffered damages as a result.

In addition, CNA has noted that in malpractice claims arising from engagements for general accounting or bookkeeping services to small businesses, often a central issue in the claim is the lack of an explicit understanding with the client regarding the scope of services being provided. Many of these claims arise from embezzlement losses suffered by the client. CPAs that issue engagement letters in this practice area often include the disclaimer included in sample engagement letters in the appendixes to SSARS, which reads as follows:

> Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our compilation procedures, that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures, regarding illegal acts that may have occurred unless they are clearly inconsequential.

Although such language is helpful, according to CNA, by itself the language does not provide adequate protection to practitioners from such embezzlement-related claims. The reasons for this include the following:

- Claims typically allege that the CPA failed to detect and report to management issues that might indicate embezzlement is occurring, rather than actual evidence of embezzlement. Examples include the untimely posting of receipts, unexplained bank account reconciliation items, repeated payments to vendors that the client hadn't used previously, or unusually high credit card charges.
- Claims also allege that the CPA failed to timely alert the client to obvious internal control weaknesses, such as a lack of segregation of duties, and that, had they done so, the client would have addressed the problem and prevented subsequent embezzlement.
- In addition, claims allege that CPAs failed to detect fraud in engagements that included periodic or regular reconciliation of the client's bank statement against their check register. In these claims, the clients frequently allege that the CPA failed to note that the payee name on one or more of the canceled checks did not match the payee name on the check register, or that the signature on the checks did not match those on file at the client as authorized signatories. In many cases, the CPA did not review the checks either be-

cause they considered this to be outside of the scope of their engagement responsibilities or because the checks were not provided with the bank statement. The client simply presumed that the CPA would receive the checks and compare the payees and signatures on the checks to the check register and signatures on file to check for possible fraud.

- Last, claims allege that the CPA had knowledge of internal control weaknesses and indicators of possible fraud or embezzlement by virtue of their ongoing handling of the client's books and records and contacts with the client's employees. This allegation is typically supported by statements pointing out the CPA's multiyear relationship with the client and extensive contacts with the client through ongoing monthly work.

The bottom line is, although engagement letters are very important, you should make it clear to your client that it is management's responsibility to prevent and detect fraud. An effective way to do this is to educate your client as to the importance of internal control in the prevention of fraud. You are then in a position to work with your client in a separate consulting engagement to improve the client's internal control. One advantage is the client's increased awareness of the importance of internal control, which will aid in the design of suitable controls. Controls will result in the reduction of the risk of fraud and errors. In addition, this exercise clarifies management's responsibility to prevent and detect fraud, thereby reducing your legal risk.

Letter Requests From Lenders and Mortgage Brokers

AICPA members have contacted the AICPA to clarify their professional ethical obligations when asked for "comfort letters" by lenders and mortgage brokers. Depending on how practitioners respond to such requests, they may be at risk for failing to comply with AICPA professional standards. In these situations, a number of CPAs may violate professional standards unknowingly; others may cave in to brokers' threats to undermine the CPA-client relationship. CPAs can ethically and effectively address these situations if they are aware of and stick to their professional obligations.

Many CPAs think of a comfort letter as a letter from a CPA to a company involved in a bond offering, an initial public offering (IPO), or a stock placement, that allows the company to assure the underwriter concerning the offering document and the company's financial reports. These letters are discussed in AU section 634, *Letters to Underwriters and Certain Other Requesting Parties* (AICPA, *Professional Standards*, vol. 1).

The comfort letters at issue are similar in intent. These letters are usually associated with stated income loans, which are mortgages that do not require borrowers to document their income. Such loans usually are sought by borrowers whose income sources are difficult to verify or fluctuate from year to year. Self-employed people and individuals with investment income or with sales jobs of varying commissions often apply for stated income loans. Lenders, lacking documentation to support borrowers' income claims, take on the risk that borrowers' claims are inadequate. Because of the higher risk, lenders charge higher interest rates. To gain more comfort in extending loans, some lenders look to the borrowers' CPA for assurance about the stated income amount.

In an effort to minimize their risk, brokers typically ask CPAs to vouch for their clients with a letter supporting clients' claims relating to income and their self-employment. If they arise, these situations can place you at risk in two ways. First, your response must be in compliance with professional standards. If you point out to the broker that reporting on solvency in this situation would be unethical or that a request requiring examining a personal balance sheet and earnings forecast would be expensive, the broker may exert pressure by threatening to suggest that the client change CPAs.

You can protect yourself against the risks associated with these situations, but first you must understand what is and is not permissible. Attestation Interpretation No. 2, "Responding to Requests for Reports on Matters Relating to Solvency" in AT section 9101, *Attest Engagements: Attest Engagements Interpretations of Section 101* (AICPA, *Professional Standards*, vol. 1), provides guidance to the practitioner when he or she receives such requests. Essentially, this Interpretation states that you should not provide any form of assurance relating to matters of solvency, but there are services that you may perform. If a mortgage broker or lender really wants an attest report from you, then you may audit, review, or compile the personal financial statements of the borrower, you may report on pro forma or prospective financial information of the borrower, or you may perform and provide to the client and lender an agreed-upon procedures report, as long as the agreed-upon procedures do not provide any assurance on matters relating to solvency. Brokers tend to ask for as much assurance as they can get without understanding or knowing the cost or consequences. However, once you explain to your client and the broker the cost entailed, they typically back off their request. Instead, the brokers may be satisfied with a simple letter from you acknowledging that the income reported to the broker or lender is the amount that has been reported to the Internal Revenue Service (IRS) on the tax return. Obviously, the client would need to agree to have you send such a letter.

In these situations, you can avoid risk by sticking to your professional responsibilities, following professional standards and not caving in to undue pressure. Also, many insurance providers are aware of this practice and as a result have developed sample letters or templates for CPAs to use in these situations. You should contact your insurance provider and inquire whether they have any additional guidance or sample letters that you could use for these requests.

Current Accounting and Reporting Issues

Handling GAAP Departures

If, in the course of a compilation or review engagement, you become aware of a material departure from GAAP or OCBOA, you have the following three possible courses of action:

- Persuade the client to revise the financial statements (usually the preferred course of action).
- Refer to the material departure in the compilation or review report.
- Withdraw from the engagement (if you believe the client's intent is to mislead financial statement users).

Report Modification Is Adequate

If you decide that the departures can be adequately described in the report, a modified report can be issued. The modification consists of adding a separate paragraph to the report in which the departure is described. In addition, in a compilation report, the accountant adds a sentence at the end of the second paragraph indicating that he or she became aware of a departure from GAAP or OCBOA. In a review report, the accountant revises the third paragraph by adding "with the exception of the matters described in the following paragraphs" prior to the statement that the accountant is not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with GAAP or OCBOA. If known to you, the effect of the departure on the financial statements should be disclosed in the separate paragraph. If the effect of the departure is not known, however, you are not required to determine the effect. When the effect is not known, you must state this fact in the separate paragraph. The following is an example of this additional paragraph:

> Generally accepted accounting principles require that income taxes be accrued. Management has informed us that the Company has not accrued income taxes in the accompanying financial statements, and the effects of this departure from generally accepted accounting principles has not been determined.

Report Modification Is Inadequate

In some circumstances, you may conclude that it would be inadequate to simply add a separate paragraph (or paragraphs) to the report to explain the departure (or departures). If you conclude that the modification to the standard report is not adequate to describe the effects of the departure, AR section 100 states that you should withdraw from the engagement and provide no further services on the financial statements. In addition, you should consider consulting legal counsel and your professional liability carrier.

Generally, you would reach such a conclusion when it appears that the client's intention is to deceive users of the financial statements. Although it is difficult to provide specific guidance for determining when it is inappropriate to issue a report, Interpretation

No. 6, "Withdrawal from Compilation or Review Engagement," in AR section 9100 (AICPA, *Professional Standards*, vol. 2) provides the following two illustrations of situations in which the accountant considers whether the client's intent is to deceive users of the financial statements:

1. The client may have entered into a number of leasing arrangements that might be required to be capitalized under Financial Accounting Standards Board (FASB) Statement No.13, *Accounting for Leases*. The client may not wish to capitalize such leases and may not have determined the effect of this departure from GAAP. However, the client may be willing to disclose in the financial statements information such as the nature of the leased property, the payments required under the leases, and other important terms of the leases. In those circumstances, the accountant is not likely to conclude that the departure was undertaken with the intention of misleading users, even though the effect of the departure is not quantified in the financial statements or the accountant's report.

2. The client may have failed to provide for doubtful accounts and probable sales returns in the face of significant adverse business and economic conditions and may be unwilling to acknowledge that an adjustment should be considered. This might cause the accountant to question whether other information the client provided is incorrect, incomplete, or otherwise unsatisfactory. Also, the accountant's general knowledge of the entity's business and related matters might lead him or her to conclude that this position indicates an intent to mislead users, particularly if the effects of the departure are not determined.

Common Peer Review Findings

Recurring Deficiencies Noted in Compilation and Review Engagements

In 2005, the AICPA Peer Review Program reported approximately 9,500 peer reviews, of which approximately 5,000 pertained to compilation and review engagements. The importance of the peer review findings cannot be overemphasized. The following is a summary of some of the most recent significant deficiencies that an accountant should keep in mind when planning and staffing compilation and review engagements.

Significant Deficiencies

Significant deficiencies include matters that are normally material to understanding the report or financial statements or represent critical SSARS procedure. An engagement with a significant deficiency is normally considered substandard, although careful judgment is required when forming a conclusion. Although this list is not all-inclusive, it does contain the most common, recurring deficiencies. In addition, we have included practical examples and explanations of these deficiencies that you should try to avoid.

REPORTS, FINANCIAL STATEMENT MEASUREMENT, PRESENTATION, AND DISCLOSURE

Deficiency	*Practical Example*
Departures from standard wording where the report does not contain the critical elements of the applicable standards	It is not uncommon to see compilation and review reports with no reference to the SSARSs in those reports.
Issuance of a review report when the accountant is not independent with respect to the client	Although an accountant may report on compiled financial statements if he or she is not independent (by modifying the compilation report), the accountant may not issue a review report if he or she is not independent. In all cases in which the CPA issues an "assurance" report (audit or review) on the financial statements, the CPA must be independent with respect to the client in order to perform the engagement (i.e., modifying the review report for a lack of independence is inappropriate).
Failure to disclose lack of independence in a compilation report	Although an accountant may report on compiled financial statements when he or she is not independent, the SSARSs require modification of the compilation report to clearly indicate this lack of independence by adding a one-sentence paragraph to the compilation report, specifically, "I am [We are] not independent with respect to XYZ Company."

Deficiency	*Practical Example*
Failure to disclose the omission of substantially all disclosures	A CPA may compile financial statements with disclosures omitted as long as the omission of disclosures is clearly indicated in the compilation report and the disclosures are not omitted with the intent to "mislead" those who might reasonably be expected to use the financial statements. A third paragraph should be added to the compilation report as follows: Management has elected to omit substantially all the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.
Failure to disclose the omission of the statement of cash flows in financial statements prepared in accordance with GAAP	Pursuant to the guidance in FASB Statement No. 95, *Statement of Cash Flows*, if financial statements include both a balance sheet and an income statement, the statement of cash flows should be provided for each period that the income statement is provided. Given this fact, the statement of cash flows needs to be provided when the CPA reviews financial statements (or the failure to include the statement of cash flows should be disclosed as a departure from GAAP in the accountant's review report); the same issue or result would exist when the CPA compiles full-disclosure financial statements. However, if the CPA compiles financial statements in which management elects to omit substantially all disclosures, the omitted statement of cash flows can be "referenced" in the paragraph that reports the fact that disclosures have been omitted, as follows: Management has elected to omit substantially all the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.
Failure to disclose an OCBOA for financial statements compiled without disclosure, where the basis of accounting is not readily determinable from reading the report	Interpretation No. 12, "Reporting on a Comprehensive Basis of Accounting Other Than Generally Accepted Accounting Principles," in AR section 9100, provides example language that should be added to the end of the first paragraph of the compilation report in these circumstances. For tax-basis financial statements, the wording is as follows; similar wording should be added to compilation reports prepared on the cash/modified-cash basis:

(*continued*)

Deficiency	*Practical Example*
	The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles. *Practice Note:* Interpretation No. 12 also contains "model" report wording for review reports issued on OCBOA financial statements.
Failure to disclose, in the accountant's report, a material departure from professional standards (examples include the nonconsolidation of appropriate subsidiaries with a parent company's financial statements; omission of significant income tax provisions in interim financial statements; omission of significant disclosures related to material defined employee benefit plans; or nonrecognition of significant deferred income)	Material departures should be identified in the compilation or review report. For compilation reports, wording should be added to the end of the second paragraph as follows: However, we did become aware of a departure from generally accepted accounting principles that is described in the following paragraph. In review reports, the third paragraph of the review report should be modified as follows: Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles. Then a GAAP departure paragraph should be added as the final paragraph in both compilation and review reports.
Inclusion of material balances that are not appropriate for the basis of accounting used	One of the major concerns pertaining to this deficiency relates to compilations/reviews of cash/modified-cash basis financial statements. It is not uncommon to see trade receivables recorded in these financial statements. If the receivables are recognized in the statements, then the "offsetting credit" relates to the fact that revenues are being recognized as they are earned (accrual basis). CPAs are reminded that they may "cross the line" when modifying the cash basis of accounting so that the financial statements essentially are accrual-based financial statements rather than cash/modified-cash basis financial statements. Also, it still is not uncommon to see start-up expenses (i.e., organization costs) capitalized and amortized in GAAP-basis financial statements. CPAs are reminded that, pursuant to

Deficiency	Practical Example
	the provisions of SOP 98-5, *Reporting on the Costs of Start-Up Activities*, these type costs should be expensed as incurred in GAAP-basis financial statements (although they still should be capitalized and amortized in tax-basis financial statements). Including start-up expenses as an asset in GAAP-basis financial statements is inappropriate. As a final example, it is inappropriate to include a provision for tax in financial statements of a partnership. Since a partnership is a *flow-through* entity in which taxes are paid by the partners, there should be no provision for tax related to the *distribution to partners* so that the partners can cover their pro rata share of the tax liability. *Practice Note:* This listing of practical examples is not inclusive. CPAs are reminded to be very careful not to confuse personal and business financial assets when preparing and reporting on financial statements of a proprietorship.
Failure to include a material amount or balance necessary for the basis of accounting used (examples include the omission of material accruals, failure to provide for material losses or doubtful accounts, or failure to provide for material deferred income taxes)	Essentially, this is an issue of a departure from GAAP or OCBOA, as discussed above. For example, if a provision for tax is not included in the financial statements of a C Corporation or the accrual of compensated absences is omitted from GAAP-basis financial statements. These departures, if material, should result in modification of the compilation or review report to indicate that the departure exists.
Significant departures from the financial statement formats prescribed by industry accounting and audit guides	In many cases, this deficiency is prevalent if CPAs are preparing and reporting on financial statements of clients in "special industries" in which they try to "fit" the standard financial statement formats for use in these industries. For example, for health care clients, there is a requirement for a "performance indicator" to be included in the financial statements. As another example, not-for-profit organizations have a statement of activities (rather than an income statement) in which all changes in net assets during a reporting period are reflected in that statement. If CPAs try to utilize formats that are applicable to the "normal" business entities, it is not uncommon for some of the special industry guidance not to be followed. You should refer to the appropriate AICPA audit and

(*continued*)

Deficiency	*Practical Example*
	accounting guides when financial statements are being compiled or reviewed.
Omission of disclosures of significant accounting policies applied (GAAP or OCBOA)	As a result of significant changes in disclosure requirements in recent years, CPAs need to be careful not to "copy last-year" disclosures in current-year financial statements. Some of the required policy note disclosures are often easily missed. Commonly missed policy note disclosures include the nature of operations, use of estimates, advertising costs, shipping and handling costs, basis of accounting for receivables (and the bad debts associated with those receivables). All significant accounting policies should be included in GAAP and OCBOA financial statements.
Improper accounting of a material transaction (for example, recording a capital lease as an operating lease)	This is another GAAP departure issue. These departures, if material, should result in modification of the compilation or review report to indicate that the departure exists.
Misclassification of a material transaction or balance	You should make sure that items, transactions, and events are classified appropriately in the financial statements.
Failure to segregate the statement of cash flows into the components of operating, investing, and financing activities	It is not uncommon to see amounts misclassified within the three sections. For example, "advances to owners" should be classified as an investing activity, while "advances from owners" should be classified as a financing activity—it is not appropriate to "net" the items.
Omission of significant required disclosures related to material financial statement balances or transactions	Always use a current disclosure checklist applicable to the basis of accounting used.
Omission of a statement of income and retained earnings when referred to in the report	The compilation or review report should refer to the actual financial statements included in the presentation. CPAs are reminded to modify your report if certain statements are not included in the financial statements. Also, the statement of retained earnings is not a required financial statement.

Deficiency	*Practical Example*
Omission of significant matters related to the understanding of the financial statements (the cumulative material effect of a number of deficiencies)	This deficiency occurs if several minor deficiencies result in a cumulative material effect on the financial statements when viewed in the aggregate.

SSARS PROCEDURES AND DOCUMENTATION

Deficiency	*Practical Example*
Failure to document the matters covered in the accountant's inquiries and analytical procedures in review engagements	Inquiries and analytical procedures provide the basis for the limited assurance expressed in the review report, and must be documented. AR section 100 contains a list of required documentation for a review engagement, including the requirement to document significant expectations.
Failure to obtain a client management representation letter for a review engagement	A management representation letter is required in all review engagements. These letters are not required in compilation engagements.
Failure to include, in a management-use-only engagement letter, required language for communicating the understanding of the engagement for financial statements that are prepared for management use only, except for the failure to refer to the level of responsibility on supplementary information, which is not a significant deficiency	Refer to AR section 100 for a list of requirements for a management-use-only compilation engagement letter.

Although there are many recurring deficiencies noted in peer review, the accountant can take steps to avoid them by keeping these common mistakes in mind during the planning and performance of future compilation and review engagements.

Accounting Pronouncements and Guidance Update

Presented below is a list of recently issued accounting pronouncements and other guidance issued since the publication of last year's Alert. For summaries of these pronouncements, or to obtain copies of them, visit the applicable Web site of the issuing body. For information on accounting standards issued subsequent to the writing of this Alert, please refer to the AICPA Web site at www.aicpa.org, and the FASB Web site at www.fasb.org. You may also look for announcements of newly issued standards in the *CPA Letter* and *Journal of Accountancy*.

FASB Statement No. 155	*Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*
FASB Statement No. 156	*Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140*
FASB Statement No. 157	*Fair Value Measurements*
FASB Statement No. 158	*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*
FASB Interpretation No. 48	*Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*
FASB EITF Issues (Various dates)	Go to www.fasb.org/eitf/ for a complete list of EITF Issues.
FASB Staff Positions (Various dates)	Go to www.fasb.org/fasb_staff_positions/ for a complete list of FASB Staff Positions (FSPs).
AICPA Technical Practice Aids 2130.09-2130.35 (December 2005) (Nonauthoritative)	Various topics on the application of SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*
AICPA Technical Practice Aids 5600.07-5600.17 (November 2005) (Nonauthoritative)	Various lease topics
AICPA Technical Practice Aid 2130.09-2130.35 (December 2005) (Nonauthoritative)	Various topics related to SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*

AICPA Technical Practice Aid 6910.16-6910.20 (January 2006) (Nonauthoritative)	"Nonregistered Investment Partnerships"
AICPA Technical Practice Aid 1400.29-1400.31 and 1500.06 (April 2006) (Nonauthoritative)	Various topics related to FASB Interpretation 46(R), *Consolidation of Variable Interest Entities*
AICPA Technical Practice Aid 2130.36-2130.37 (May 2006) (Nonauthoritative)	"Impact on Cash Flows on a Group of Loans Accounted for as a Pool in Accordance with SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*"
AICPA Technical Practice Aid 1400.32 (June 2006) (Nonauthoritative)	"Parent-Only Financial Statements and Relationship to GAAP"

Some of the standards are summarized below. These summaries are for informational purposes only and should not be relied upon as a substitute for a complete reading of the applicable standard.

FASB Statement No. 157, *Fair Value Measurements*

This Statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice.

The changes to current practice resulting from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year.

The provisions of this Statement should be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except as follows. The provisions of this Statement should be applied retrospectively to the following financial instruments as of the beginning of the fiscal year in which this Statement is initially applied (a limited form of retrospective application):

1. A position in a financial instrument that trades in an active market held by a broker-dealer or investment company within the scope of the AICPA Audit and Accounting Guides for those industries that was measured at fair value using a blockage factor prior to initial application of this Statement

2. A financial instrument that was measured at fair value at initial recognition under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, using the transaction price in accordance with the guidance in footnote 3 of Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," prior to initial application of this Statement

3. A hybrid financial instrument that was measured at fair value at initial recognition under FASB Statement No. 133 using the transaction price in accordance with the guidance in FASB Statement No. 133 (added by FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*) prior to initial application of this Statement.

4. The transition adjustment, measured as the difference between the carrying amounts and the fair values of those financial instruments at the date this Statement is initially applied, should be recognized as a cumulative-effect ad-

justment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for the fiscal year in which this Statement is initially applied.

FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*

This Statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

This Statement requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to:

1. Recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation—in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation.

2. Recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to FASB Statement No. 87, *Employers' Accounting for Pensions*, or No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Amounts recognized in accu-

mulated other comprehensive income, including the gains or losses, prior service costs or credits, and the transition asset or obligation remaining from the initial application of FASB Statements No. 87 and 106, are adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of those Statements.

3. Measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions).

4. Disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

This Statement also applies to a not-for-profit organization or other entity that does not report other comprehensive income. This Statement's reporting requirements are tailored for those entities.

This Statement amends FASB Statements No. 87; No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*; No. 106, and No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*; and other related accounting literature. Upon initial application of this Statement and subsequently, an employer should continue to apply the provisions in FASB Statements No. 87, No. 88, and No. 106 in measuring plan assets and benefit obligations as of the date of its statement of financial position and in determining the amount of net periodic benefit cost.

The required date of adoption of the recognition and disclosure provisions of this Statement differs for an employer that is an issuer of publicly traded equity securities (as defined) and an employer that is not. For purposes of this Statement, an employer is deemed to have publicly traded equity securities if any of the following conditions is met:

1. The employer has issued equity securities that trade in a public market, which may be either a stock exchange (do-

mestic or foreign) or an over-the-counter market, including securities quoted only locally or regionally.

2. The employer has made a filing with a regulatory agency in preparation for the sale of any class of equity securities in a public market.

3. The employer is controlled by an entity covered by item 1 or 2.

An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006.

An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007.

However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

1. A brief description of the provisions of this Statement

2. The date that adoption is required

3. The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. If in the last quarter of the preceding fiscal year an employer enters into a transaction that results in a settlement or experiences an event that causes a curtailment of the plan, the related gain or loss pursuant to FASB Statement No. 88 or No. 106 is required to be recognized in earnings or changes in unrestricted net assets of that quarter.

Earlier application of the recognition or measurement date provisions is encouraged; however, early application must be for all of an employer's benefit plans. Retrospective application of this Statement is not permitted.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*

This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step is recognition: The enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one of the following:

1. An increase in a liability for income taxes payable or a reduction of an income tax refund receivable

2. A reduction in a deferred tax asset or an increase in a deferred tax liability

3. Both items 1 and 2

An enterprise that presents a classified statement of financial position should classify a liability for unrecognized tax benefits as current to the extent that the enterprise anticipates making a payment within one year or the operating cycle, if longer. An income tax liability should not be classified as a deferred tax liability unless it results from a taxable temporary difference (that is, a difference between the tax basis of an asset or a liability as calculated using this Interpretation and its reported amount in the statement of financial position). This Interpretation does not change the classification requirements for deferred taxes.

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FASB Statement No. 109 is not an appropriate substitute for the derecognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on the sufficiency of future taxable income is unchanged by this Interpretation.

This Interpretation is effective for fiscal years beginning after December 15, 2006. Earlier application of the provisions of this Interpretation is encouraged if the enterprise has not yet issued financial statements, including interim financial statements, in the period this Interpretation is adopted.

Recent AICPA Independence and Ethics Pronouncements

The AICPA *Independence and Ethics Alert—2006/07* (product no. 022477kk) contains a complete update on new independence and ethics pronouncements. Some recent developments pertain to gifts and entertainment, requests for client records, and the Conceptual Framework, which was mentioned earlier in this Alert. The Independence and Ethics Alert can be obtained by calling the AICPA at (888) 777-7077 or going online at www.cpa2biz.com. Readers should obtain that Alert to be aware of independence and ethics matters that will affect their practice.

On the Horizon

Practitioners should keep abreast of accounting and reporting developments and upcoming guidance that may affect engagements. Remember that exposure drafts are nonauthoritative and cannot be used as a basis for changing GAAP. The AICPA General *Audit Risk Alert—2006/07* (product no. 022337kk) summarizes some of the more significant outstanding exposure drafts.

Additionally, the following table lists the various standard-setting bodies' Web sites where information regarding outstanding exposure drafts may be obtained. Also see Appendix A, "Additional Web Resources," of this Alert for a more complete list.

Standard-Setting Body	*Web site*
AICPA Auditing Standards Board (ASB)	www.aicpa.org/members/div/auditstd/drafts.htm
AICPA Accounting Standards Executive Committee (AcSEC)	www.aicpa.org/members/div/acctstd/index.htm
AICPA Accounting and Review Services Committee (ARSC)	www.aicpa.org/members/div/auditstd/index.htm
Governmental Accounting Standards Board (GASB)	www.gasb.org
Financial Accounting Standards Board (FASB)	www.fasb.org
Professional Ethics Executive Committee (PEEC)	www.aicpa.org/members/div/ethics/index.htm

Help Desk—The AICPA's standard-setting committees publish exposure drafts of proposed professional standards exclusively on the AICPA Web site at www.aicpa.org. The AICPA will notify interested parties by e-mail about new exposure drafts. To have your e-mail address put on the notification list for all AICPA exposure drafts, send your e-mail address to memsat@aicpa.org. Indicate "exposure draft email list" in the subject header field to help process the submissions more efficiently. Include your full name, mailing address and, if known, your membership and subscriber number in the message. The AICPA Web site also has connecting links to the other standard-setting bodies listed above.

SSARS Pipeline

The AICPA ARSC is currently working on the following potential new projects.

Potential Project on Planning and Supervision

Rule of Conduct 201, *General Standards* (AICPA, *Professional Standards*, vol. 2) of the AICPA Code states:

> A member shall comply with the following standards and with any interpretations thereof by bodies designated by Council.
>
> a. *Professional Competence*. Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.
>
> b. *Due Professional Care*. Exercise due professional care in the performance of professional services.
>
> c. *Planning and Supervision*. Adequately plan and supervise the performance of professional services.
>
> d. *Sufficient Relevant Data*. Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

Currently, the guidance for planning and supervising with respect to a compilation or review engagement is included in Interpretation No 5, "Planning and Supervision" (AICPA, *Professional Standards*, vol. 2) in AR section 9100. That Interpretation states that although AU section 311, *Planning and Supervision*, does not govern engagements to compile or review financial statements of a nonpublic entity, an accountant may wish to consider the auditing standards or other reference sources, such as textbooks and articles, when he or she needs additional information on planning and supervision. The ARSC will consider issuing a proposed SSARS that would provide guidance on planning and supervising a compilation or review engagement. The ARSC tentatively plans to expose such a proposed SSARS during the third quarter of 2007.

Potential Project on Use of Terms

In December 2005, the ASB issued SAS No. 102, *Defining Professional Requirements in Statements on Auditing Standards*, and Statement on Standards for Attestation Engagements (SSAE) No. 13, *Defining Professional Requirements in Statements on Standards for Attestation Engagements*. Those standards define the terminology the ASB will use to describe the degrees of responsibility that the requirements impose on the auditor or the practitioner. The standards define two categories of professional requirements—"unconditional requirements" (indicated by the words *must* or *is required*) and "presumptively mandatory requirements" (indicated by the word *should*). The ARSC will consider issuing a proposed SSARS that would define the terminology the ARSC will use to describe the degrees of responsibility that the SSARS impose on the accountant. The ARSC tentatively plans to expose such a proposed SSARS during the fourth quarter of 2007.

Potential Recodification of SSARS

The ARSC is considering a reorganization of the Codification of Statements on Standards for Accounting and Review Services. The resulting Codification would be organized as follows:

- SSARSs hierarchy
- Guidance with respect to compilations of financial statements
- Guidance with respect to reviews of financial statements
- Guidance with respect to compilations of specified elements, accounts, or items of a financial statement
- Guidance with respect to compilations of pro forma financial information

The ARSC tentatively plans to expose a proposed SSARS during the fourth quarter of 2007.

Potential Reconsideration of SSARS No. 6

In September 1986, the ARSC issued SSARS No. 6, *Reporting on Personal Financial Statements Included in Written Personal Financial Plans* (AICPA, *Professional Standards*, vol. 2, AR sec. 600). AR section 600 provides an exception from AR section 100 for personal financial statements that are included in written personal financial plans prepared by an accountant, and specifies the form of written report required under the exemption. The ARSC has been deliberating whether the exemption is appropriate. If the ARSC concludes that revisions to AR section 600 are appropriate, it is anticipated that such revisions will be exposed for public comment during the third quarter of 2007.

Potential Project on Harmonization with International Standards

The ARSC is aware that the International Audit and Assurance Standards Board (IAASB) has issued International Standard on Review Engagements 2400, *Engagements to Review Financial Statements*. The ARSC plans to review that standard and consider whether the SSARSs should be amended to harmonize with the International Standard. If the ARSC concludes that revisions to SSARSs is appropriate, it is anticipated that such revisions would be exposed for public comment during the fourth quarter of 2007.

Potential Practice Aid for Bookkeeping Engagements

During a September 2006 ARSC meeting, representatives of Continental Casualty Company provided several observations for consideration regarding bookkeeping services:

- Bookkeeping services of varying scope are provided routinely by most sole practitioners and small CPA firms. Approximately 17 percent of all billings reported by CPAs insured in the AICPA Professional Liability Insurance Program arise from this practice area.
- Between 2001 and 2005, approximately 5 percent of all malpractice claims in the AICPA Program arose from bookkeeping engagements.

- AICPA Professional Standards do not specifically address the provision of bookkeeping services. SSARS provides explicit guidance only with respect to the compilation and review of financial statements.

Based on CNA's claim experience, it would appear that practitioners would find useful additional guidance both in performing these services and in establishing an understanding with the client regarding the scope of services provided and the limitations of the CPA's responsibilities to the client in performing services. Accordingly, the ARSC will work with the AICPA's Accounting and Auditing Publications Team to produce a practice aid for bookkeeping engagements.

Accounting Pipeline

Proposed FASB Statements, *Business Combinations* and *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries*

In these proposed Statements, the FASB plans to revise the existing guidance on the application of the purchase method. The following are among the main proposals:

1. All acquisitions of businesses will be measured at the fair value of the business acquired
2. Substantially all the assets acquired and liabilities assumed of the acquired business will be recognized and measured at their fair values at the acquisition date
3. Entities that follow U.S. GAAP and international standards will apply substantially the same accounting requirements for their business combinations

Exposure drafts on business combinations—purchase method procedures and noncontrolling interests—were issued on June 30, 2005. Practitioners should visit the FASB Web site for expected issuance dates.

Proposed FASB Statement, *The Hierarchy of Generally Accepted Accounting Principles*

This proposed Statement would identify the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity GAAP in the United States. The GAAP hierarchy is currently presented in AICPA SAS No. 69, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles (AICPA, *Professional Standards,* vol. 1, AU sec. 411), as amended.

The FASB is responsible for identifying the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity with GAAP. The FASB believes that the GAAP hierarchy should be directed specifically to enterprises because it is the enterprise (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with the GAAP hierarchy. Accordingly, the FASB concluded that the GAAP hierarchy should reside in the accounting literature established by the FASB. The FASB decided to carry forward the GAAP hierarchy as set forth in SAS No. 69, subject to certain modifications. The FASB staff will coordinate with the AICPA to ensure that each of the documents has a uniform effective date. Readers should be alert for the issuance of a final Statement.

Proposed FASB Statement, *Accounting for Transfers of Financial Assets*

The exposure draft *Accounting for Transfers of Financial Assets* (Transfers Project) is a revision of a June 2003 exposure draft, *Qualifying Special-Purpose Entities and Isolation of Transferred Assets,* and would amend FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* The proposed Statement seeks to (1) clearly specify the permitted activities of a qualifying special-purpose entity (QSPE), (2) address practice issues related to which arrangements should be considered and how they should be considered in the legal isolation analysis, (3) eliminate the prohibition on a QSPE's ability to hold passive derivative financial instruments that pertain to beneficial interests held by a transferor, (4) revise the methodology used to initially measure at fair value interests related to transferred financial assets held by a transferor, and (5) clarify guidance related to when rollovers of beneficial interests are permitted within a QSPE. At its July 26, 2006, meeting, the FASB decided to combine the servicer discretion project (which addressed issues relating to the waiver of due-on-sale, collateral substitution, and foreclosed asset activities) into the Transfers Project. The FASB expects to issue a final Statement, which would amend FASB Statement No. 140, in the second quarter of 2007. See the FASB Web site at www.fasb.org for complete information.

Proposed FASB Statement, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115*

The fair value option project has two phases. First, this proposal represents Phase 1, which addresses the fair value option for certain financial assets and financial liabilities. Second, Phase 2 will consider permitting the fair value option for certain nonfinancial assets and nonfinancial liabilities and some of the financial assets and financial liabilities excluded from the scope of Phase 1.

The proposed Statement would create a fair value option under which an entity may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings as those changes occur. The proposed statement has specific financial presentation requirements to display fair values and those values that are measured using other measurement techniques. The proposed Statement would amend FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, to require that securities reported at fair value in accordance with FASB Statement No. 115 satisfy the specific financial statement presentation requirements. The planned effective date is for years beginning after December 15, 2006. Visit the FASB Web site at www.fasb.org for additional information.

AICPA Resource Central

On the Bookshelf

The following publications deliver valuable guidance and practical assistance as potent tools to be used on your engagements (product numbers appear in parentheses):

- *Compilation and Review Engagements—Essential Questions and Answers* (product no. 006622kk)
- *Review Engagements: New and Expanded Guidance on Analytical Procedures and Inquiries* (product no. 006618kk).
- *Accounting Trends and Techniques—2006* (product no. 009898kk)
- Practice Aid *Preparing and Reporting on Cash- and Tax-Basis Financial Statements* (product no. 006701kk)
- *Understanding and Implementing SSARS No. 8* (product no. 006612kk)

Audit and Accounting Manual

The *Audit and Accounting Manual* (as of July 1, 2006) (product no. 005136kk) is a valuable nonauthoritative practice tool designed to provide assistance for audit, review, and compilation engagements. The manual contains numerous practice aids, samples, and illustrations, including audit programs; auditors' reports; checklists; engagement letters; and management representation and confirmation letters, among other items.

AICPA's reSource Online Accounting and Auditing Literature

Get access—any time, anywhere—to the AICPA's latest *Professional Standards, Technical Practice Aids,* Audit and Accounting Guides, Audit Risk Alerts, and *Accounting Trends and Techniques.* To subscribe to this essential service for accounting professionals, go to www.cpa2biz.com.

Continuing Professional Education

The AICPA has developed a number of continuing professional education (CPE) courses that might be valuable to CPAs performing compilation and review engagements. Visit www.cpa2biz.com for a complete list of CPE courses.

Online CPE

The AICPA has made significant enhancements to its online CPE library. Because these enhancements dramatically improve the functionality as well as the appearance of the product, the AICPA has also changed the name to CPExpress (formerly *AICPA InfoBytes*). CPExpress contains cutting-edge training and CPE with one- to two-credit courses and 24/7 access. A wide variety of basic, intermediate and advanced level courses are included pertaining to accounting and auditing, consulting services, management, personal development, taxation, and ethics. You can utilize an interactive CPE tracking tool that automatically tracks courses completed and offers the ability to enter and track other CPE courses taken. You can also print CPE certificates on demand, upon completing each course or at any time in the future and return to the same course as many times as you want for ongoing reference after you have earned CPE. To register or learn more, visit www.cpa2biz.com/CS2000/Products/CPA2BIZ/CPExpress.htm.

Member Satisfaction Center

To order AICPA products, receive information about AICPA activities, and find help on your membership questions, call the AICPA Member Satisfaction Center at (888) 777-7077.

AICPA Technical Hotline and Ethics Hotline

Technical questions about GAAP, OCBOA, accounting, auditing, compilation engagements, review engagements, or other technical matters may be addressed to the AICPA's Accounting and Auditing Technical Hotline. AICPA staff will research the question and respond with their answer. The Technical Hotline can be reached at (888) 777-7077.

In addition to the Technical Hotline, the AICPA also offers an Ethics Hotline. Members of the AICPA's Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA Code of Professional Conduct. The Ethics Hotline can be reached at (888) 777-7077.

Webcasts

When planning your engagements, you can join the many practitioners who have participated in AICPA webcasts. Webcasts are an exceptional way to stay current on today's professional issues. Led by recognized experts, webcasts provide complete briefings on a variety of pertinent practice topics. During a two-hour live webcast, participants have the opportunity to e-mail and ask questions of expert panelists.

When planning your 2006-2007 compilation and review engagements, you need to make sure you, your colleagues, and your staff are aware of any special issues related to upcoming engagements. By viewing the Compilation and Review Risk Alert Webcast, you'll get a complete briefing on current Compilation and Review engagement issues. You will also take away a greater understanding of how to make your 2006-2007 Compilation and Review engagements more effective.

The Compilation and Review Risk Alert Webcast, which was held live on November 21, 2006, is directly relevant to 2006/2007 year-ends. To purchase the archived webcast in CD format, go to: www.cpa2biz.com/CS2000/Products/CPA2BIZ/Webcast/Compilation+and+Review+Risk+Alert+Strategic+Briefing+2006+2007+Webcast.htm. CPE credit is available for participating in this Webcast.

Web Sites[2]

AICPA Online and CPA2biz

AICPA Online, at www.aicpa.org, offers CPAs the unique opportunity to stay abreast of matters relevant to the CPA profession.

2. See Appendix A, "Additional Web Resources," of this Alert for other helpful Web sites.

AICPA Online informs you of developments in the accounting and auditing world as well as developments in congressional and political affairs affecting CPAs. In addition, CPA2Biz at www.cpa2biz.com offers all the latest AICPA products, the Audit Risk Alerts, Audit and Accounting Guides, the professional standards, and CPE courses.

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This Alert replaces the *Compilation and Review Alert—2005/06.* The *Compilation and Review Alert* is published annually. As you encounter issues that you believe warrant discussion in next year's Alert, please feel free to share those with us. Any other comments that you have about the Alert would also be appreciated. You may e-mail these comments to lpombo@aicpa.org or write to:

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APPENDIX A
Additional Web Resources

Here are some useful Web sites that may provide valuable information to accountants performing compilations and review engagements.

Name of Site	*Content*	*Internet Address*
Accountants World	Online community of independent accountants providing resources and tools	www.accountantsworld.com
Accounting Web	Online community for the accounting profession	www.accountingweb.com
American Institute of CPAs (AICPA)	Summaries of recent auditing and other professional standards as well as other AICPA activities	www.aicpa.org and www.cpa2biz.com
AICPA Accounting Standards Executive Committee (AcSEC)	Issues SOPs, guides, practice bulletins containing financial, accounting and reporting recommendations, among other things	www.aicpa.org/members/div/acctstd/index.htm
AICPA Accounting and Review Services Committee	Develops and issues review and compilation standards and interpretations	www.aicpa.org/members/div/auditstd/index.htm
CPAnet	Links to other Web sites of interest to CPAs	www.cpanet.com
Economy.com	Source for analysis, data, forecasts, and information on the United States and world economies	www.economy.com
Federal Reserve Bank of New York	Key interest rates	www.ny.frb.org
Financial Accounting Standards Board	Summaries of recent accounting pronouncements and other FASB activities	www.fasb.org
Governmental Accounting Standards Board	Summaries of recent accounting pronouncements and other GASB activities	www.gasb.org

(*continued*)

Name of Site	*Content*	*Internet Address*
Hoovers Online	Online information on various companies and industries	www.hoovers.com
International Accounting Standards Board	Summaries of International Financial Reporting Standards and International Accounting Standards	www.iasb.org
U.S. Tax Code On-Line	A complete text of the U.S. Tax Code	www.fourmilab.ch/ustax/ustax.html
WebCPA	World Wide Web magazine that features up-to-the-minute news for accountants	www.electronicaccountant.com